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**TESTIMONY OF  
EASTERN CONNECTICUT HEALTH NETWORK  
SUBMITTED TO THE  
FINANCE, REVENUE AND BONDING COMMITTEE  
Monday, March 22, 2010**

**SB 484, An Act Concerning The Governor's Revenue Plan**

Eastern Connecticut Health Network appreciates the opportunity to provide testimony concerning **SB 484, An Act Concerning The Governor's Revenue Plan**. ECHN opposes section 10 of this bill, which imposes a 3¼ percent tax on hospital gross revenues.

Connecticut hospitals continue to be targeted to offset the State's current deficit. Although the media portrays hospitals as surviving the recessionary economy, the reality is far different. Connecticut hospitals are already bearing a huge underfunding burden: in 2008, before the devastating impact of the recession was fully felt, the shortfall to Connecticut hospitals in state funding for the Medicaid and SAGA programs was over \$300 million.

As Connecticut's residents have lost jobs and employer-paid health insurance coverage, the Medicaid and SAGA populations have increased significantly, as have the uninsured. While the state will receive \$1.7 billion in additional Medicaid funding from the federal government through stimulus funds, none of that extra money has been used to help hospitals cover the additional costs of caring for the growing ranks of those on Medicaid or the uninsured.

**Some Important Facts:**

- Along with other Connecticut hospitals and health systems, ECHN is under constant pressure to reduce our expense base due to reimbursement shortfalls from government-funded programs such as Medicaid and SAGA. Just this past year, ECHN reduced its spending, its workable hours, and implemented a permanent cost-reduction program to offset these reductions in reimbursement.
- Our SAGA volumes increased nearly 50 percent for Manchester Memorial Hospital and Rockville General Hospital (combined) between 2008 and 2009, and we experienced a commensurate increase for FY2010

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(October-December) of 34 percent compared to FY2009. To compound the volume increases, SAGA continues to pay less than prior years:

In 2008, SAGA paid 55.25 percent of the Medicaid rate

In 2009, SAGA paid 47.3 percent of the Medicaid rate

In 2010, SAGA is paying 46.8 percent of Medicaid rate

- Because of the reimbursement shortfalls, ECHN's operating margins are extremely thin. This restricts us from being able to reinvest in our facilities, programs, medical equipment, and technology. We are obligated to continue to provide care to all, 24 hours a day, seven days a week, regardless of patients' ability to pay. Yet, we will not have the funds to purchase available or newer technologies that improve overall patient care and safety

### **Why ECHN strongly opposes the Hospital User Tax.**

Let us learn from history and take the appropriate action not to repeat what didn't work. During the decade when the Hospital User Tax was in force, we learned the following: 1) not all tax dollars will be returned to hospitals; from 1994 to 1999, in addition to retaining the entire increased federal match, the state kept another \$106 million of the tax funds that were supposed to be returned to hospitals; 2) the redistribution of the tax is very volatile – winners and losers change every year; and 3) state budget goals trump the needs of hospitals and patients.

During the '90s, prior to its repeal, the Hospital User Tax was constantly changed. The driving force for each change was getting or keeping federal dollars. Initially, the tax was intended as an off-budget pool and assessment, which then morphed into two separate taxes in response to a federal lawsuit. At first, the redistribution formula included all government and uninsured shortfalls; it later excluded Medicare and Medicaid inpatient shortfalls. And while hospitals originally were required to tell every patient the tax amount, a further change prohibited hospitals from telling anyone the tax existed at all.

Not much has changed since the last time this onerous tax was imposed. Some hospitals will get more than they put in while other will get less. A recent analysis by the Connecticut Hospital Association indicates that more than half of the hospitals in the state will get less under the new proposal.

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Hospital finances are fragile enough – and should not be further stressed to balance the state budget. It is truly unfortunate that Connecticut hospitals find themselves with their backs up against the wall.

Instead of a Hospital User Tax, let's work together and use the enhanced federal Medicaid match for the purpose it was intended: to maintain eligibility and coverage, and make another down payment on bringing provider rates closer to covering the cost of care. We need to stop these shenanigans before it is too late and help those who need it most. We ask that you support those providing the care by not creating additional burdens on an already overburdened healthcare system.

I thank you for your consideration of our position.

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